

Message Text

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C O N F I D E N T I A L SAN JOSE 2480

DEPARTMENT PASS TREASURY AND SECRET SERVICE

MEXICO FOR LEGATT

E.O.11652: GDS
TAGS: SNAR, EFIN, ETRD, CS
SUBJECT: REQUEST FOR ASSISTANCE IN DETERMINING PRESENCE OF
COUNTERFEIT U.S. CURRENCY

1. SUMMARY. GOCR, FEARFUL THAT CENTRAL BANK HOLDINGS OF U.S.
CURRENCY MAY INCLUDE LARGE NUMBER OF COUNTERFEIT BILLS, HAS
REQUESTED USG ASSISTANCE IN EXAMINATION OF BANK'S CURRENCY.
EMBASSY RECOMMENDS POSITIVE RESPONSE. END SUMMARY.

2. MINISTER OF INTERIOR AND PRESIDENT OF CENTRAL BANK WERE
RECEIVED BY CHARGE EVENING OF JUNE 7 AT URGENT REQUEST OF
PRESIDENT RODRIGO CARAZO. MINISTER EXPLAINED THAT HE HAD
RECEIVED INFORMATION INDICATING POSSIBILITY THAT CENTRAL
BANK DOLLAR CURRENCY RESERVES INCLUDE LARGE NUMBER OF COUNTER-
FEIT BILLS. INFORMATION SUGGESTS THAT COUNTERFEIT BILLS
PROBABLY ORIGINATED IN CANADA BUT WERE BROUGHT INTO COSTA
RICA BY MIAMI-BASED NARCOTICS-ARMS-CURRENCY SMUGGLING
SYNDICATE AND WERE ACQUIRED BY CENTRAL BANK THROUGH
COMPLICITY OF LOW-LEVEL OFFICIALS OF BANK OR FORMER
GOCR ADMINISTRATION. INFORMATION ALSO SUGGESTS THAT SAME
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MIAMI-BASED GROUP IS ENGAGING IN NARCOTICS AND ARMS
SMUGGLING INTO OR THROUGH COSTA RICA.

3. MINISTER REQUESTED THAT EMBASSY SEEK TO ARRANGE FOR
U.S. CURRENCY EXPERTS TO COME TO COSTA RICA TO CHECK U.S.
CURRENCY HELD BY CENTRAL BANK TO DETERMINE WHETHER THERE
IS IN FACT LARGE NUMBER OF COUNTERFEIT BILLS. CHARGE

SUGGESTED THAT CURRENCY EXPERTS AT BANK WERE SUFFICIENTLY WELL-TRAINED TO BE ABLE TO DETECT COUNTERFEITS, BUT MINISTER COUNTERED THAT BECAUSE OF ALLEGED COMPLICITY OF FORMER GOCR OR BANK OFFICIALS, HE STRONGLY PREFERRED INDEPENDENT CHECK.

4. EMBASSY UNABLE EVALUATE MINISTER'S INFORMATION. HOWEVER, THERE ARE ENOUGH STRAWS IN THE WIND TO LEAD US TO CONCLUDE THAT INFORMATION COULD HAVE SOME BASIS IN FACT. WE RECALL THAT SECRET SERVICE AGENTS WERE HERE SOME MONTHS BACK ON INVESTIGATION OF COUNTERFEIT CURRENCY OPERATION AND THAT INVESTIGATION WAS BEING CONDUCTED IN COOPERATION WITH RCMP. DEA/SAIC IS AWARE OF LINKS BETWEEN MIAMI-BASED CUBAN-AMERICAN GROUP AND FORMER OFFICIALS OF MINISTRY OF PUBLIC SECURITY WHICH INVOLVED SMUGGLING OF FIREARMS INTO COSTA RICA BUT WHICH WERE ALSO BEING INVESTIGATED FOR POSSIBLE NARCOTICS SMUGGLING. FINALLY, SAME FORMER OFFICIALS, ONLY A FEW WEEKS AFTER LEAVING GOVERNMENT, SUDDENLY ARE DISPLAYING SUSPICIOUS SIGNS OF NEW WEALTH AND AFFLUENCE.

5. THERE IS ONE OTHER IMPORTANT CONSIDERATION HERE. BASED ON THE INFORMATION HE HAS RECEIVED, THE MINISTER OF INTERIOR, AND POSSIBLY THE GOVERNMENT, GENUINELY IS FRIGHTENED THAT COSTA RICA MAY BE A TARGET OF ORGANIZED CRIME BASED IN THE U.S. BUT OPERATING INTERNATIONALLY. CONFIDENTIAL

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HE BELIEVES THAT IF THE INFORMATION ON DOLLAR CURRENCY IN THE CENTRAL BANK CHECKS OUT, THE REST OF HIS INFORMATION MAY ALSO BE VALID. CONVERSELY, IF THE INFORMATION REGARDING THE CURRENCY IS NOT ACCURATE, HE WILL HAVE SOME BASIS TO AVOID TAKING ALARM OVER THE ALLEGATION THAT COSTA RICA HAS BEEN TARGETED BY ORGANIZED CRIME.

6. EMBASSY BELIEVES THAT IT WOULD BE IN OVERALL USG INTEREST, PARTICULARLY IN LAW ENFORCEMENT AREA, TO RESPOND POSITIVELY TO MINISTER'S RATHER UNUSUAL REQUEST. ACCORDINGLY, WE RECOMMEND THAT TREASURY OR SECRET SERVICE SEND CURRENCY EXPERT TO COSTA RICA FOR TDY ASSIGNMENT OF SEVERAL DAYS TO DETERMINE WHETHER CENTRAL BANK IS HOLDING LARGE NUMBER OF COUNTERFEIT U.S. DOLLAR BILLS. BANK'S CURRENCY HOLDINGS TOTAL APPROXIMATELY \$1 MILLION IN NEW BILLS. CENTRAL BANK'S SUPPLIER IN U.S. IS REPUBLIC NATIONAL BANK OF NEW YORK.

7. IF MINISTER CANNOT BE ACCOMMODATED IN THIS INSTANCE, REQUEST INFORMATION THAT CAN BE PROVIDED TO HIM AS TO HOW INEXPERIENCED PERSONNEL CAN IDENTIFY COUNTERFEIT BILLS OR ANY OTHER INFORMATION THAT WOULD BE HELPFUL TO HIM

IN THIS MATTER.
KILDAY

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